

A Preliminary Inquiry into the Nature and Causes of the Growth of the State¹[1]

Carlos Sabino

1. The problem

As we begin the 21st century, as classical liberals we face a somewhat paradoxical situation: the success of our ideas—evidenced in changes over the past years—doesn't seem to have led to acceptance or widespread acknowledgement of their merits. There is no great movement in support of our ideas. And certain trends that increase the role of government seem to be growing in strength.

The reforms of Margaret Thatcher in the U.K., of Ronald Reagan in the United States, and of the Chilean government, together with the sweeping changes that took place in China thanks to Deng Xiao Ping, heralded a new era. Its most impressive manifestation was the colossal implosion of the Soviet Union and the communist system. A good many countries, in Latin America and around the world, followed the path. Fiscal soundness, reduced tariffs and privatizations created a freer environment nearly everywhere, shrinking the economic role of the state and launching a new cycle of growth and prosperity.

1[1] I would like express mi appreciation to Lissa Hanckel for her kindest reviewing of this paper and her valuable comments.

But the process, somehow, somewhere, came to a halt. In the countries of the OECD the government's share of GDP, although marginally reduced after the reforms, remained at historical heights and today reflects an indecisive trend. Government expenditure as a share of GDP is now approximately 36% in the U.S., 37% in Japan and higher in the European countries. In the United Kingdom and reunified Germany, it is 48% of GDP; and in France, Sweden and other nations, an astonishing 54% to 58%.^{2[2]} In countries outside the OECD the reforms have also had mixed results.

In the countries of Latin America the process of reform ended about ten years ago after having brought some clear benefits, such as the control of inflation and a rebound in economic growth after the crisis of the 80s. With the exception of Chile, the reform process began in response to the crisis, not as a result of mature reflection or belief in the benefits of the free market economy and the rule of law. Reforms were made reluctantly, sometimes by leaders who had in mind nothing more than solving short term problems, focused on the urgent needs of the day, not on structural change. In several cases there were some starts and stops and, more recently, a serious reverse in free market policies, as in the notorious cases of Venezuela, Bolivia and Argentina. In Venezuela Hugo Chavez's "Bolivarian Revolution" has set in motion a nearly socialist economy that is marching in the direction of Fidel Castro's Cuba.

I don't think that this sluggish pace of change and the setbacks in some cases draw a somber perspective or a generally pessimistic political landscape. Not at all. The world as a whole is today freer

^{2[2]} The Heritage Foundation and The Wall Street Journal, *2006 Index of Economic Freedom*.

than it was a quarter century ago, and economic and personal liberties have been expanding in a number of places. But I think it is important to understand why the reforms have been so erratic and limited; why in some cases they have been abandoned at the first little setback; why state activity is so strong and so pervasive. **In short, my purpose with this paper is to contribute to the understanding of the permanent forces that permit, stimulate or increase the role of government.** Only through in depth knowledge of the factors that have facilitated the expansion of state machinery will we be in a position to move in the opposite direction, and overturn the powerful forces that propel it.

I am, therefore, going to put forth and analyze the causes that promote the expansion of the modern state. This knowledge, I believe, will be useful in understanding how they operate and how to limit them.

2. Some factors conditioning the expansion of the state

From a historical perspective, we must consider first the various factors that allowed the state to expand in the preceding centuries. It is an undeniable fact that modern government enjoys a scope of action unknown in the past. Its functions and role cover an astonishing diversity of activities, from the regulation of the economy to social security, from the protection of the environment to the fight against drugs or any other imaginable pursuit. Huge bureaucracies and huge expenditures are the current characteristics of all modern governments.

The first requisite for such pervasive presence is, indeed, money. In historical terms, modern states are rich and need to collect a huge amount of money through taxes to carry out their multiple functions. However, only wealthy societies can afford to pay the high taxes of the contemporary world. For this reason, **the economic growth** that began with the Industrial Revolution has been an important condition for the emergence of modern government.

Until the beginning of the 19th century the annual product of all nations had remained more or less stationary, with growth so slow that it only could be measured—and not in all cases—over generations. The broad set of changes that we call the Industrial Revolution brought into being a new stage of economic development that created a remarkable increase in the set of goods and services that are produced and consumed. Only the existence of this enormous wealth, unknown in former times, has allowed governments to impose today's high tax pressure on their citizens. Such pressure was not possible in the past when most taxpayers, living on the edge of poverty, could contribute very limited amounts of goods and money to the public treasury.

However, the wealth of the modern world it *is not*—of course—a *cause* of the growth of the state. It is just a prerequisite, a condition that allows other forces to create the end result we see today. We can find a more closely related factor in the legitimacy that prevails today in the world in the form of **unlimited** popular sovereignty. From the turning point of the American and French Revolutions, and in a process that lasted about a century and a half, the principle of popular sovereignty came to be accepted in almost all nations. Until then, with relatively few exceptions, political systems were based on the sovereignty of some type of monarch, hereditary or not, who justified

his dominion through supposed divine will. The king, as sovereign, had unlimited power, absolute dominion, because his legitimacy was derived not from society but from a source independent of society and superior in principle. However, a paradox arose from this system, an unintended result destined to generate more than a few consequences. Society did not always remain passive in the face of the monarch's desires. Sometimes it resisted, forming a social entity independent of the sovereign, occasionally able to impose limits to his authority. The English *Magna Carta*, the Bill of Rights, the parliaments, *cortes* and assemblies of notables that arose in many regions of Europe are the best known examples of this constant tension between the sovereign and the diverse social forces that looked to restrain his power. The prince was also restricted by a wide array of customs, religious beliefs and all kind of imaginable traditions. His power was absolute only in a political sense, obviously never as total as that of any modern totalitarian dictator.

With the acceptance of the concept of popular sovereignty, this tension between government and society disappeared. If the state is the expression or the incarnation of all society, of all the people, then rights that had been retained and restrictions that had been imposed on state power begin to be lost. The doors to all kinds of excesses are open. Neither resistance from the nobility or bourgeoisie, nor tradition, nor laws are barriers against the unlimited force of popular majority, which claims to have the absolute right to create the law, to impose it, to even mold the entire society according its desires. It is true that the worst effects of such a scenario have only emerged in exceptional circumstances, generally of the revolutionary type, such as the *Terror* imposed by the Jacobins during the French Revolution. But it is equally certain that the idea of popular sovereignty has permitted

the growth of the modern state. Such a state faces none of the resistance faced by monarchs in the past. And all populist, revolutionary and socialist regimes can find in the concept of popular sovereignty grounds for undertaking the worst of the political measures that have been imposed.

Of course, the Founding Fathers in the context of American Revolution envisioned this critical problem. The checks and balances of the American constitution—replicated in many constitutions worldwide—is the response, a clever answer indeed. However, time has shown how pressure from popular will can circumvent these elaborate barriers, a process that sometimes appears unstoppable.

3. Factors that stand in the way of the reduction of government

In the context of sovereignty and economic growth, several other factors slow the pace of every attempt to reduce the scope of government. They are well known and researched. They are a force of resistance that passively opposes and, in some circumstances, can completely halt the process of reform.

The first is something that we could call **institutional inertia**. Once the state assumes a certain function or activity and appropriates the means to carry it out—such as creating some office or department and hiring a number of civil servants to carry out its tasks—, the new office generates its own sets of interests in perpetuation and expansion. The Public Choice School has clearly described how the acts of government officials are guided by stimuli no different from those that guide every

citizen, as producer or consumer. Government officials will make every reasonable effort to pursue their own interest in every conceivable way. Therefore no politician or head of an agency or public company will seek to deliberately reduce his own power by reducing staff, budget or scope of activities.^{3[3]} This is not twisted or corrupt behavior; it is simply the way public affairs are conducted. It is, nonetheless, a real obstacle to any reform that looks to reduce the functions of the state. In more general terms, every process that aims to reduce the size of government is, in itself, contradictory: the state, as institution, must place limits on itself. Its own agents or officials—those least interested in promoting or executing such limits—are the ones called upon to diminish their own power.

This tendency to inertia in the face of state consolidation and growth explains, in part, why it is always simpler and more expeditious to promote new expenses and activities than to reduce the state's magnitude or eliminate some of its functions. The only way to stop or check the trend of government growth is through precise legal or constitutional barriers, through citizen resistance to tax increases, or the imposition of expenditure cuts in reaction to a fiscal crisis.

Another important factor to consider in explaining the growth of the state and the stagnation of the process of reform is directly related to **organized groups** in society which, in defense of their interests, exert very strong political pressure, sometimes completely disproportionate to their number or electoral political weight. Industries seeking high tariffs can efficiently lobby against the opening of international trade. Unions generally oppose any labor reform that

^{3[3]} A similar phenomenon can be observed too in large corporations, although with some natural differences.

could liberalize the labor market, block changes to the social security system, and hinder and obstruct privatizations. A nearly infinite number of governmental and non governmental organizations fight with all their resources in favor of subsidies, grants, allowances and public contributions. They constantly propose the creation of yet more entities and branches of the government. These diverse groups are able to exert strong pressure on high officials and congressional representatives in their pursuit of entitlements.

In all these cases, a well recognized asymmetry tends to consolidate certain privileges and hinder the process of reform. The pressure exerted by a small, very well organized group seeking benefits for itself is much more intense and effective than any resistance that might be mounted by the huge majority who stand to be negatively affected by its actions. For example, no one takes to the streets to protest a tariff increase from 5% to 10% on a certain type of steel but, at the same time, corporations that produce that kind of steel will spend a lot of money to pressure heavily for exceptions that benefit them. Public opinion is passive and uninterested if public servants of a little known office receive a hike in emoluments. The same is true of an increase in the subsidy to an obscure foundation or of a subsidy that grows slowly but steadily. Meanwhile, interest groups, generally well organized and clear as to where their interests lie, develop coherent and systematic activities in their pursuit. The process affects the political stand of those in government who distribute the budget or draft the decrees that affect the economy.

Institutional inertia and the presence of well organized interest groups have been studied in depth and constitute important factors that slow the pace of every free market reform. However, I believe they do not

fully explain the problem I set forth at the beginning of this paper. In the following section I will address a third and complex factor that allows and, indeed constantly promotes, the growth of the modern state.

4. The almighty state

All of the processes I have mentioned are reinforced and amplified by a frame of mind, held by wide sectors of public opinion, that creates fertile soil for their development. I am speaking of undercurrents of deep feelings and attitudes—not reasoning—and of modern myths and beliefs that are nearly religious in their content.

Karl Popper, in *The Open Society and its Enemies*, brilliantly describes and analyzes the phenomenon he calls *new tribalism*. It is a response, essentially, to the secularism and openness of modern European societies; a reaction against a new era in which traditional social bonds seem to dissolve and the individual loses his strong feeling of identity with and loyalty to a broad social body. Popper states that this new tribalism constitutes a form of “eternal rebellion against freedom and reason.” It is embodied in the ideas and proposals of the philosophers he analyzes in his book—Plato, Hegel and, especially, Marx. However, it is also a manifestation of deep attitudes and feelings, a form of worship of the collective and of nostalgia for the most compact and homogenous societies of previous times. Alarmed and distrustful of the imagined disorder that new liberties bring, people search for refuge in the security of the group. Confronted with new risks and responsibilities, people seek to reinforce instances they conceive to be greater than themselves, such as the nation, the race or the class.

This new tribalism is one of the roots of socialism, fascism and communism, indeed, of all collectivistic ideologies. This sanctification of the collective (identified with the State) was expressed clearly in the words of Mussolini: “Nothing against the State, all within the State,” in his famous definition of totalitarianism when he assumed its mantle.

Of course, most modern socialists would reject the bold words of the old fascist leader, extreme and lacking in nuances. But the progressive and steady growth of the state—the continuous broadening of its functions—marks a trend that is dangerous because it doesn’t stem from a rational and factual line of thinking, but from the new tribalism that Popper describes. Thus, obstacles to free market reforms come not only from institutional inertia or the pressures of interest groups, but from deeper roots, emotional and non rational.

In our secular era, tribal nostalgia and the search for ultimate security have created a trend towards what I would call the “sanctification” of the state. This is not a purely hyperbolic statement. James Buchanan offers a good presentation of this idea⁴[4]:

“The socialist time was successful in replacing the motto ‘God will take care of you’ (as it says in an old religious hymn) with ‘the state will take care of you.’ And my simple point here is that the demise of socialism as an organizational arrangement of the economy has done little or nothing toward offering up some alternative fallback security market. The socialist god has not been displaced in this sense, and until and unless this can occur, the transition can never be fully successful.”

These remarks are valid not only for the case of the transitions from communism, which Buchanan addresses in his paper. They have

⁴[4] In the opening speech to 2001 MPS Regional Meeting at Bratislava, “God, the State and the Market”. *Transition at the Crossroads*, p. 19.

broader implications because of his references to the “psychology of dependence” and to a “romantic” vision of the group as pervasive elements present in all modern societies. For an astonishing number of individuals the state assumes today, tacitly, the role fulfilled by God in the past.

This veiled equivalence between God and State applies only in certain ways. The state is not pure, nor perfect like God; the state is not saintly or free of sin. But the state is almighty—or should be—and should take care of nearly all of its people’s needs. For this reason, many think that society’s most significant activities need to be placed in the hands of the government. Such is the prevailing idea towards education, health, social security and a safety net to protect people from abject poverty. It is not by chance that this is the very field of activity that used to be the responsibility of the church. The state must also take swift and effective action when natural catastrophes occur. The head of state must be at the center or epicenter of the disaster, as if his or her presence could change people’s fate. All kinds of goods and services are demanded from government, and all types of controls and intervention. The State must deliver because the people are waiting, expecting it to take care of their needs. If it doesn’t have the money, it must find a way to get it.

This implicit belief in the godlike character of the state produces a set of unfavorable consequences. First, the state becomes engaged in activities it cannot carry out very well, such as providing educational and health services, housing or social security. Although private enterprise almost always can provide these goods and services better, a broad consensus requires they be provided by the state. Tolerated and rarely criticized are the huge and expensive bureaucracies, the

broad power of unions, the waste of resources, and certain biases associated with public education and public welfare.

A second consequence is the high expense of government social policies, which place strong pressure on public finances. It is not unusual that more than half of the public budget is spent on social programs. This reduces the amount of money that could be assigned to other tasks—such as security, justice and certain public works—and forces the state to collect huge amounts in taxes. In a nutshell, the welfare state spends lots of money on efforts that don't accomplish much; it strains the economy with high taxes, and is rarely able to satisfy the incessant demands of its citizens.

These problems are worse in underdeveloped countries. The demands of the people and their attitude towards the state as almost almighty are the same. But public resources are tiny in the face of the huge demands placed on politicians. The deficient performance of government, the lack of results in the "war against poverty", and the lack of improvement in social conditions make easy targets for criticism. At the same time, the state finds it difficult to expand effectively, and when it does, it is at the expense of reducing economic growth. Such a scenario creates fertile ground for populist messages, for the demagoguery of leaders who promise to create a welfare state by taking money from the rich to give it to the poor. Political instability and a general sense of frustration are the consequences of this constant tension between the citizenry's demands and the pale reality of government results.

5. The state and the market

The forces that promote state growth, strong and pervasive as they may be, are not the only forces in modern societies: if such were the case we would be living today in the most complete totalitarianism and all freedom would have disappeared from our lives. Other powerful social phenomena exist that tend to expand the scope of individual freedom and are in some measure effective barriers against the growth of the modern state. For a better understanding of the multiple factors that come into play, let me draw a broader picture of the complex social interactions that are always present in our societies.

Every individual participates continually in a complex web of interactions in every field of his or her life. For the purposes of this paper I will consider two types of interaction: voluntary and non voluntary ones. In the case of voluntary ones, we must include all interactions that cause members of the society to improve their personal situation. This would encompass personal and affective contacts, communication of messages within the family or in the local framework, and the free exchange of goods and services with any type of person. The case of involuntary interactions includes behavior conditioned by any form of violence or imposition which, directly or indirectly, originates with persons or institutions that wield some manner of power.

According to the type of interaction it is possible to speak of two different constituent systems or "orders" within a same society. There is the order of voluntary, spontaneous interchange, which gives rise to social phenomena such as language or the market. And there is the order of non voluntary interaction; in societies that reach a certain degree of complexity this order is represented essentially by the state. Both orders, although different and perfectly distinct in the analytical

realm, are nevertheless in perpetual contact and interweave with each other because both include the same subjects—all the members of the social set—and their fundamental activities.

Both orders are “natural” in the sense that they inevitably appear in every society, and to a certain extent derive from well known biological conditions. The forms of communication of many animal species are the point of departure for the complex spontaneous creation of human language. Many species also develop a hierarchy of power, in which certain members have dominant, and others subordinate, roles. Similar, although much more complex, relationships of power also arise in all known human societies. The tribe and other social forms or organizations always have authority models, never the egalitarian uniformity that some authors have imagined.

The state emerged as a new institution from the dominion of chieftains and military and religious leaders. These figures became kings or heads of the state, in an institutional continuation of primitive authority. However, political power changed as the violence of the original leaders and groups consolidated in a physical territory and was legitimized through some kind of legal framework, normally associated with some form of religion.

The state is not the product of a mythical social contract or constitutional agreement between free men. While this is a methodological tool used by many authors to approach the subject, it is in no case an effective description of factual events from prehistory or the early stages of history. The state does not reflect the simple and ruthless violence of the alpha male of the primate gang or the pure imposition of the conqueror. Although it derives from those sources, it also has a contractual aspect, a legal and religious underpinning that allows violence to be accepted and become more effective. It is, in the words of sociologist Max Weber, “the monopoly of legitimate violence”

that every society needs to avoid the Hobbesian world of the continuous battle of all against all, the insecurity and the misery of an anarchical world. The state represents, therefore, the form in which non voluntary interactions between people are organized in an effort to create a framework of stability and peace in order to overcome the primary and spontaneous violence of primitive societies.

Another key social institution that arises from the voluntary exchange of goods and services between persons is the market. In an extended historical process, sporadic and limited exchange between primitive peoples grew and developed—where conditions were propitious—to give rise to modern markets, in which millions of anonymous persons voluntarily interact in their attempts to improve the quality of their lives.

Although it can appear to buyers and sellers that an impersonal entity “fixes” prices in the same way as a political authority might, the market works in a very different way. Adam Smith recognized this when he proposed the image of the “invisible hand,” a metaphor that refers to the spontaneous order that emerges as a social product from the infinite interactions of individuals taking part in the exchange process. Prices are a signal, a concentration of information that synthesizes, moment by moment, the different needs, preferences and expectations of millions of buyers and sellers. Two tribes, for instance, who occasionally exchange a limited set of products does not yet constitute a market. For a true market to emerge, repeated exchanges are necessary on a continuous and broad scale, which gives rise to the division of labor and the production for sale, typical of modern societies.

Certain conditions are needed for a true marketplace to emerge: a minimum level of peace, stability and security, as well as a legal order with the authority to enforce it in order to limit violence, deception and theft. Voluntary and free exchange between individuals doesn't work, obviously, when some individuals can impose their will on others, when there is widespread theft and no guarantee for peaceful exchanges. This is to recognize that a political and legal order is necessary to protect the market's effective operation, an order that will guarantee the freedom and enforce the responsibilities of the contracting parties. It implies, therefore, the existence of a state, of a political power that acts as guarantor of contracts and protector from violence.

It is this fact that creates the association between the two social orders described above. If it is not possible to conceive of human society without an extended and complex spontaneous (voluntary) order, it is likewise not possible for exchange to be upheld and to evolve in the total absence of a non voluntary order based on power. This is because of the need to guarantee the free market interactions of the voluntary order. This relationship is, of course, very complex and ever changing, as are human societies themselves.

The market it is not the expression of pure and limitless selfishness, as superficial critics frequently repeat. It supposes morality based on individual responsibility and the calculation of long term consequences of a person's own conduct, without which it cannot function. The individuals who participate in exchange must restrain their impulses to achieve short term gains. Their self interest could be affected if they steal the merchandise of others, misrepresent quality or try to eliminate or control competitors through violence. If they don't misbehave it is not only because there is an authority able to sanction ruthless conduct, but because they understand that the existence and operation of a free market is in their own long term interest. He who robs can be robbed; he who cheats can be cheated. In the market the

logic of reciprocity and each person's reputation are as important to the success of the participants as is the quality of the goods and services offered. Behavior that takes into account the long term interest of all participants is not exclusive to market exchanges. It is seen in all spontaneous social relationships because it is the only way to build a stable framework for interactions that create gains for everyone.

Meanwhile, the state as institution is not—and cannot be—a pure expression of imposition or violence. To accomplish its task of controlling the ambitions of individuals and groups and of imposing general order, the state needs to appear before society as a separate entity that represents the “common will.” It needs to project a certain majesty, a certain greatness and dignity that can only derive from legitimacy. Out of this necessary condition emerges, I believe, the tendency to turn the state into a kind of holy entity that reigns over society and seeks to be looked upon as perfect and infallible. But the state, of course, is made up of men and women, of people who have their own interests, ambitions and passions. It is not made up of angels immune to temptation. And power, as is well understood, is the greatest of all temptations. It is a natural corrupting agent, a cultural brew that nurtures people's vices and the worst of hidden desires.

The state seeks a monopoly on power because such is the very nature of its function and a prerequisite to the accomplishments of its tasks. However, for this same reason, it tends toward the absolute, and moves to fill every social space and expand without cease. The only thing that can restrain this tendency are controls imposed by law and, viewed historically, the potential for or actual rebellion of subjects when they refuse to accept state intervention beyond a certain point.

But in modern democracies, laws are not an absolute barrier against the growth of government power because citizens can change them at will. Laws and controls are enacted that advance the pursuit of a particular group's agenda, at the expense of the rest of the population. Never ending legislation is created to respond to the desires for protection and security of those who think the state will be able to protect them from any contingency and possible risk. Thus grows government interference with the free exchange of people who look to it to intervene and, at the same time, reject it when it affects them negatively. Each producer seeks to eliminate his competitors, national or foreign, to reduce costs and to increase benefits. Consumers seek government intervention to lower prices or interest rates; non governmental organizations lobby for their particular and usually narrow ends without taking into account the long term consequences of its actions. Long ago, Frederic Bastiat accurately stated that the state is the tool that each person uses to try to live at the expense of the rest. That is to say, everyone seeks to "privatize" his benefits and "socialize" his losses. This logic explains the behavior, on the surface seemingly at odds, of industrialists that demand tariff protection, unionists who request general wage increases and civil servants who use taxpayer's money for their pet project or, more directly, embezzle it.

Of course no one is so ingenuous as to speak openly of his or her true agenda. And people usually persuade themselves that high tariffs are necessary to protect jobs and national industry; that large public expenditures are required to fight poverty and improve the quality of life for citizens. Fine words cannot change the end results of the growth of government intervention: bureaucracy and inefficiency,

regulated economies that grow slowly and, in some cases, fiscal deficits, huge public indebtedness, inflation and corruption.

6. To restrain Leviathan

These powerful trends toward the expansion of the state are counterbalanced, as I have mentioned, by other strong and pervasive forces. They are rooted in the spontaneous energies of a society, in the wishes and will of the citizens who want to interact freely and their voluntary exchanges be upheld. People desire a strong and protective state, but long for their liberties, too. Citizens want a powerful hand against crime, terrorism and disorder, but they are wary of the authoritarian tendencies that can develop in government. Many wish wealth were more evenly distributed, but only a few are in favor of broad expropriations. There is a fluctuating balance between a set of complex and opposed forces that never stops.

It would be naive to believe that the changes of the 80s and 90s eliminated the trend toward the growth of governments and set in motion an irreversible growth in freedom. In the best of cases, they were partial and important advances on the road to liberty. But, as we have seen in some countries in Latin America and Eastern Europe, the changes did not take hold everywhere and several setbacks have taken place. In other countries, old challenges were overcome, but new ones arose from the same roots that this paper addresses.

In the beginning of this new century we are faced with challenges from the fight against terrorism. To combat the unpredictable actions of terrorists governments tend to assume broad powers that damage basic liberties of their citizens. Even more subtle and perilous challenges are rooted in people's desire for security, in the mythical idea that the state can protect everyone from every imaginable contingency.

Classical liberals have pursued the fight against the worst consequences of state expansion by patiently explaining the advantages of a free society and the importance of the values associated with it. We have enumerated and described the economic and social benefits that freedom produces. We have promoted the idea of a society of free and responsible men and women as opposed to a flock of dependent and not autonomous individuals governed from above. I believe that, today, all this is not enough. We need to take into account people's feelings which also enable and promote government growth.

Only a new approach with new proposals can inspire and capture the attention of the people. Only a new approach can appeal to public opinion's imagination and feelings. The forces that breed the growth of modern governments are not rational in their essence; rather they are primarily emotional and even passionate. **We cannot address them with a purely rational critique.** If people are looking to the state for certain attributes of God, our speeches about how economic freedom promotes growth in GDP will be ultimately irrelevant.

To create substantial and lasting change, not only do we need to speak out rationally in favor of the advantages inherent to liberty and the economic benefits of a free society. We must also address the deep feelings of insecurity that promote the growth of the state. We must understand that people generally seek a safe and predictable life and are willing to pay a high price for it. People place a high value on their liberty, of course, but only come to recognize its full meaning when their liberties are challenged or threaten. We, in the Venezuela of Chávez, have learned this old truth the hard way.

I think that it is necessary, today, to place the emphasis on the values that underlie a free society. We need to highlight that the market is not only an instrument to create wealth and material welfare. It is a

spontaneous expression of social cooperation with its own set of values: mutual confidence, long term honesty and an open playing field for all persons (not interest groups or privileged classes). We need to highlight that **we cannot live in a society that is risk free** and that government is not a superhuman entity able to deliver all manner of goods and services. Rather that it is a human institution that must enforce rules that enable people to carry out voluntary interactions. We need to oppose the socialist myths that distort history and present the current well being of some countries as the result of public actions and not as the result of a lengthy process of spontaneous development. We need to intensify the work already done by classical liberal thinkers who have addressed this issue in one form or another. My point, and the final message I want to make, is that we cannot change public opinion by simply pointing to a set of figures, statistics and using fine reasoning. We must also appeal to people's souls.

Guatemala-Caracas, 2006.
